

JEFFERSON, URIAN, DOANE & STERNER, P.A.

CAPE HENLOPEN SCHOOL DISTRICT

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

JUNE 30, 2006

FIELDWORK END DATE: MAY 7, 2007

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Independent Accountant's Report on Applying Agreed-Upon Procedures

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1270 Kings Highway
Lewes, Delaware 19958

The Honorable Valerie A. Woodruff
Secretary, Department of Education
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We have performed the procedures enumerated below, which were agreed to by Cape Henlopen School District; the Office of Auditor of Accounts; and the State of Delaware Department of Education; solely to assist the specified parties in evaluating the School District's compliance with criteria from the State of Delaware Fixed Asset Policy Manual, the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code, and the State of Delaware Budget and Accounting Manual relative to the school construction projects administered by the School District for the year ended June 30, 2006. Cape Henlopen School District's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* (2003) issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine if the School District's policies and procedures for identifying, tracking, and recording capital assets are adequate.

Upon completion of Cape Henlopen School District's construction program and project checklists, our procedures resulted in finding(s), see *Appendix A*.

2. Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

Upon completion of Cape Henlopen School District's construction program and project checklists, our procedures resulted in finding(s), see *Appendix A*.

3. Determine if expenditures are accurately stated and are made in accordance with the State Fixed Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the Local Board of Education.

Upon completion of Cape Henlopen School District's construction program and project checklists, our procedures resulted in finding(s), see *Appendix A*.

4. Determine whether the School District's construction project records and files include only active construction projects as of June 30, 2006. Ensure that completed projects have been appropriately closed out of construction and added to the State Fixed Asset system.

There are no findings upon completion of Cape Henlopen School District's construction program and project checklists.

5. Prepare the School District's Schedule of Construction Projects for Fiscal Year 2006.

See *Appendix C*.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Cape Henlopen School District management and Board Members, the State of Delaware Office of Auditor of Accounts, and the State of Delaware Department of Education, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Department of Finance, the State Treasurer's Office, and the Office of Auditor of Accounts.

Jefferson, Urian, Doane & Sterner, P.A.

Georgetown, Delaware
May 7, 2007

SCHEDULE OF FINDINGS & RECOMMENDATIONS

APPENDIX A

Procedure Agreed Upon #1:

Finding 06-01:

During completion of Cape Henlopen School District's construction program, it was noted that the School District did not have written policies and procedures in accordance with the State of Delaware's Fixed Asset Accounting Policy Manual II.B. and II.C. The Manual requires each State organization to establish written procedures and controls necessary to implement and monitor prescribed fixed asset accounting and reporting policies, guidelines, and standards. School District personnel were unaware of this requirement. Cape Henlopen School District could potentially be exposed to fraud, misuse of appropriated funds, and improper capitalization of construction work-in-progress and completed projects when adequate policies and procedures are not in place.

Recommendation:

Cape Henlopen School District should establish written procedures to ensure that the State's fixed assets are properly monitored, identified, and recorded.

School District's Response:

"Cape will establish written procedures to ensure that fixed assets are properly monitored, identified and recorded."

Procedure Agreed Upon #2:

Finding 06-02

During completion of Cape Henlopen School District's project checklists for the Sussex Consortium air conditioning project, it was noted that the School District's project construction files did not contain certain information required by the State of Delaware Budget and Accounting Policy Manual, XII.D.3.p. and XII.D.3.w. The files did not contain required certifications on substantial completion and release of liens from vendors and subcontractors. This was due to an oversight by School District personnel. Failure to comply with State of Delaware provisions, including the Budget and Accounting Policy Manual, could result in fraud, errors and irregularities.

Recommendation:

Cape Henlopen School District should obtain and properly file the certifications on substantial completion and release of liens from all vendors and subcontractors for the Sussex Consortium air conditioning project.

SCHEDULE OF FINDINGS & RECOMMENDATIONS

APPENDIX A

Finding 06-02:

School District's Response:

"Certifications of Substantial Completion and Release of Liens will be obtained from the engineering firm and will be properly filed for the Sussex Consortium air conditioning project."

Finding 06-03:

During completion of Cape Henlopen School District's project checklist for Sussex Consortium air conditioning project, it was noted that the School District failed to notify the Department of Education, the State Budget Director, the Insurance Coverage Office, and the State Auditor of final completion as required by the School Construction Technical Assistance Manual, §2.0, Paragraph 5.2 and §5.0, Paragraph 5.63. This was due to oversight by the School District personnel. Failure to comply with State of Delaware provisions, including the School Construction Technical Assistance Manual, could result in fraud, errors and irregularities.

Recommendation:

Cape Henlopen School District should notify the required State agencies of the final completion of the Sussex Consortium air conditioning project.

School District's Response:

"State agencies will be notified as to the final completion of the Sussex Consortium air conditioning project."

Finding 06-04:

During completion of Cape Henlopen School District's project checklists for Sussex Consortium air conditioning project, it was noted that the School District failed to submit the archival-quality copies of architectural and/or engineering drawings to Delaware Public Archives for preservation and safekeeping as required by 29 Del. C. §507(b). This was due to an oversight by the School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.

Recommendation:

The School District should submit the archival-quality copies for the Sussex Consortium air conditioning project to Delaware Public Archives as soon as possible.

SCHEDULE OF FINDINGS & RECOMMENDATIONS

APPENDIX A

Finding 06-04:

School District's Response:

“Archival-quality copies of the architectural and/or engineering drawings will be obtained from the engineer and forwarded to the Delaware Public Archives for the Sussex Consortium air conditioning project.”

Finding 06-05:

During completion of Cape Henlopen School District's construction project checklists for the Sussex Consortium air conditioning project and the electrical renovations project, it was noted that the School District had not submitted a copy of the electronic AutoCAD files to the Department of Education within thirty calendar days after the completion of the addition as required by the School Construction Technical Assistance Manual, Section 2.0, Paragraph 5.4. This was due to an oversight by the School District personnel. Noncompliance with State of Delaware provisions, including the School Construction Technical Assistance Manual, could potentially cause a delay in receiving future State funding.

Recommendation:

Cape Henlopen School District should submit a copy of the electronic AutoCAD files for the Sussex Consortium air conditioning and electrical renovations projects as soon as possible to the Department of Education.

School District's Response:

“A copy of the electronic AutoCAD files for the electrical renovations project was forwarded to the Department of Education during the audit. A copy of the AutoCAD file for the Sussex Consortium air conditioning project will be forwarded to Department of Education immediately upon receipt from the electrical engineer.”

Procedure Agreed Upon #3:

Finding 06-06:

During completion of the Cape Henlopen School District's construction program and project checklist, it was noted that the School District did not properly code an expenditure of \$ 10,600. School District personnel inadvertently coded an expenditure related to 2 Middle School project (appropriation code 8077) to 6-classroom addition (appropriation code 7513). This miscoding caused the construction-work-in-progress for the 6-classroom addition project to be overstated by \$ 10,600 and the 2 Middle School project to be understated by the same amount. The Certificate of Necessity authorized funding for the planning, constructing, and equipping of a 6-classroom addition to the Route 24 Middle School. As required by 29 Del. C. §7415, the funds appropriated by an authorization act may be used only for the costs set forth in such act.

SCHEDULE OF FINDINGS & RECOMMENDATIONS

APPENDIX A

Finding 06-06:

Recommendation:

Cape Henlopen School District should submit an expenditure correction (EXE) form to correct \$ 10,600 for payment voucher 9517068837 by decreasing appropriation 7513 and increasing appropriation 8077.

School District's Response:

"The Expenditure Correction was processed during the audit."

SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

The following schedule summarized the prior year findings and the status of the prior year findings.

Prior Year Finding	Recommendation	Status of Prior Year Finding
05-01 - During completion of Cape Henlopen School District's construction program and project checklists for the 6-classroom addition, it was noted that the School District failed to submit the archival-quality copies of architectural and/or engineering drawings to Delaware Public Archives for preservation and safekeeping as required by 29 Del. C. §507(b).	The School District should submit the archival-quality copies to Delaware Public Archives and establish procedures to ensure the copies are submitted upon completion of all projects.	Not implemented.
05-02 - During completion of Cape Henlopen School District's construction program and project checklist for the 6-classroom addition, it was noted that the School District failed to notify the Department of Education and the State Budget Director of the start of construction as required by the School Construction Technical Assistance Manual, Section 2.0, Paragraph 5.1 and the State of Delaware Budget and Accounting Policy Manual, XII,D.3.p.	Procedures should be established by the Cape Henlopen School District to ensure that proper documentation is maintained and proper notification is given in accordance with the guidelines established by the State of Delaware.	To be implemented on future projects.

SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

Prior Year Finding	Recommendation	Status of Prior Year Finding
05-03 - During completion of Cape Henlopen School District's construction program and project checklist for the 6-classroom addition, it was noted that the School District had not submitted a copy of the electronic AutoCAD files to the Department of Education within thirty calendar days after the completion of the addition as required by the School Construction Technical Assistance Manual, Section 2.0, Paragraph 5.4.	Cape Henlopen School District should submit a copy of the electronic AutoCAD files as soon as possible to the Department of Education	Implemented.
05-04 - During completion of Cape Henlopen School District's construction and project checklist for the 6-classroom addition, it was noted that the School District failed to notify the Department of Education, the State Budget Director and the Insurance Coverage Office of final completion as required by the School Construction Technical Assistance Manual, Section 2.0, Paragraph 5.2	Cape Henlopen School District should notify the required State agencies of the final completion of this project.	Not implemented.

SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

Status Key:

Implemented

The concern has been addressed by implementing the original or an alternate corrective action.

Not Implemented

The corrective action has not been initiated

Partially Implemented

The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern.

SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FY's	Total Project Expended to Date	Total Unspent as of 06/30/06
Roof Renovations	2000	\$ 1,400,000	\$ (308)	\$ 1,399,692	\$ 1	\$ 1,399,691	\$ 1,399,692	\$ -
Construct 2 Middle Schools	2001	2,666,700	-	2,666,700	-	2,666,700	2,666,700	-
	2002	8,333,300	-	8,333,300	-	8,333,300	8,333,300	-
	2003	9,765,500	-	9,765,500	15,425	9,750,075	9,765,500	-
Construct 2 Middle Schools (Market Pressure \$)	2003	3,161,500	720	3,162,220	122,533	2,989,365	3,111,898	50,322
Electrical Renovations	2001	572,000	-	572,000	216,054	355,946	572,000	-
Sussex Consortium, Air Conditioning	2006	844,800	-	844,800	500	769,615	770,115	74,685
6-Classroom Addition, Rt. 5	2004	133,000	-	133,000	-	133,000	133,000	-
	2005	1,180,100	-	1,180,100	38,196	1,128,722	1,166,918	13,182
Totals		\$ 28,056,900	\$ 412	\$ 28,057,312	\$ 392,709	\$ 27,526,414	\$ 27,919,123	\$ 138,189

Note: The questioned costs of \$ 10,600 are included in current year expenditures for the 6-Classroom Addition, Rt. 5 project and are not included in Construct 2 Middle Schools.

DISTRIBUTION OF REPORT

Copies of Cape Henlopen School District's Agreed-upon Procedures Attestation Engagement will be distributed by the Office of the Auditor of Accounts to the following public officials:

Executive Branch

The Honorable Ruth Ann Minner, Governor, State of Delaware
The Honorable Richard S. Cordrey, Secretary, Department of Finance
The Honorable Jennifer W. Davis, Director, Office of Management and Budget
The Honorable Valerie A. Woodruff, Secretary, Department of Education
Ms. Trisha Neely, Director, Division of Accounting
Mr. R. Thomas Wagner, State Auditor, Office of the Auditor of Accounts

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of Controller General

Other Elective Offices

The Honorable Joseph Biden, III, Attorney General, Office of the Attorney General
The Honorable Jack Markell, Treasurer, State Treasurer's Office

Other

Ms. Dorcell S. Spence, Associate Secretary - Finance and Administrative Services Branch, Department of Education
Dr. George E. Stone, Superintendent, Cape Henlopen School District